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MEMORANDUM

TO : Comptroller
THRU: Deputy Comptroller
Deputy Director of Personnel
FROM: Finance Division
SUBJ: Finance Division Personnel - General

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1. In the summer and fall of 1949, the Finance Division requested necessary action to obtain an increased T/O to provide for anticipated additional requirements of service to OSO and OPC. These requests were endorsed by the Budget Officer. However, action was delayed during an Agency reorganization and until new officials, administratively responsible for the Finance Division, could review the status and requirements of the Division. Immediately after activation of the Special Support Staff, the Chief of that Staff also endorsed our request for additional personnel and urged that a Management Survey be expedited. In February 1950 the Management Staff began a comprehensive survey for the purpose of improving operations and procedures, and to determine if additional personnel were required. Improved procedures were recommended and placed into effect wherever savings in time and personnel were involved. Other improvements, requiring additional time or personnel have been effected as permitted by expanded facilities.

2. Among the observations and conclusions of the Survey Report are the statements quoted below:

"2. Findings

"a. The Finance Division was first established in the Office of Special Operations as the Special Funds Branch, later transferred to Budget and Fiscal Office as the Confidential Funds Branch in January 1949. More recently it was transferred to the Special Support Staff as the Finance Division. Many of the present difficulties and deficiencies can be attributed to the changes in concept of operations that occurred during the foregoing reorganizations.

"b. While operating as the Special Funds Branch, Office of Special Operations, the processing of financial transactions was accomplished with a minimum review which determined that a transaction had been directed, was properly approved, and the expense appeared to be reasonable. Later the Division was transferred to the jurisdiction of the Budget and Finance Office with the function of administering all Agency confidential funds under an entirely new concept and under much more detailed regulations without any increase in personnel.

"c. Operating under the new concept of operations and more stringent regulations it soon became apparent that new organizational units and procedures were required to perform detailed audits and render

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service required in accordance with Agency policies and regulations, standardized government travel regulations, Comptroller General's Decisions, etc. This did not materially reduce the workload of other sections or personnel who previously performed such duties but merely reflected the increased time required to process accounts in accordance with the more detailed regulations.

"d. The greatly increased workload, created primarily by the expansion of OPC and a change in the type of financial servicing required by CSO, has reached the point where the Finance Division is doing everything possible within their present personnel strength to provide service to covert offices at the expense of lowering their standards of performance in carrying out their functions of audit and accounting."

* * *

"h. The Finance Division has continued to review their operations toward improvements, many of the deficiencies existing are known and have been known to the supervisors for some time. Lack of personnel and sufficient time on the part of the supervisors of the Division are the primary reasons why corrective measures have not been implemented."

* * *

"5. Conclusions

"In the opinion of this analyst the following are the basic problems existing in the Finance Division which must be corrected before the Finance Division will be able to function as a smooth and efficient operation:

"a. The covert offices are insistent that accounts and projects be processed on an 'individual need to know basis' with documentation and information being available to the Finance Division only to the limit that they (the operations officers) deem it permissible within the security aspects of the project or account. On the other hand, the control and regulations governing the use of confidential funds are becoming more stringent and in greater detail. Consequently the employees of the Finance Division, all loyal and conscientious workers who are endeavoring to provide maximum service to operations at the expense of forsaking and/or delaying their equally important function of audit and accounting, are going to be just as insistent that more information and documentation be made available to them prior to processing and certifying expenditures.

"The above situation will result in operations protesting they are not getting service and support and that the security of their

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operations is being jeopardized by this demand for information and documentation. As opposed to the foregoing, the Finance Division and the Agency itself without a good business system of control and accounting of funds are vulnerable to criticism and exceptions since the avenue is widened for incorrect overpayments, possible collusion and fraud.

"b. The Finance Division is understaffed to provide the service and to perform the basic functions which they are presently responsible for.

"c. The Chief and Assistant Chief are required to devote more and more of their time in assisting the covert offices in the planning of operations with little time available for the internal planning and supervision of their own office."

* * *

3. On 15 May 1950, a T/O increase of approximately 40% was approved. Immediate action was taken to expedite the recruitment and training of the newly authorized personnel. In fact, much preliminary action had been taken in anticipation of approval, based upon unquestionable needs.

4. Shortly after approval of the increased T/O the Chief, Special Support Staff, requested a report setting forth:

- (a) Action which had been taken by the Finance Division toward implementation of revised procedures and recruitment of personnel.
- (b) A factual statement of the then current status of the Finance Division with respect to workload and ability to meet requirements during the period of recruitment and training of additional personnel.
- (c) A statement describing further action, if needed, which might expedite improvement.

This report was submitted by the undersigned as Acting Chief of the Finance Division in a memorandum dated 30 June 1950. Item (a) above was disposed of by statements of fact no longer pertinent. Item (c) was answered on the basis that all action which could materially help had been initiated (recruitment and training of personnel and revision of procedures) therefore, "Our problems are not insurmountable nor in fact particularly difficult. It is simply a matter of volume much of which, for security reasons, is not permissible of handling in an orderly routine manner." The answer to item (b) was intended to be a confidential report for the private information of responsible officials. However, it is now deemed appropriate to make this information a matter of record. Several paragraphs of the report dated 30 June 1950 relate to the subject but it is believed the following quotation will adequately summarize the entire content:

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" * * * It is apparent to us (a view shared by the Management Staff) that the functions of the Finance Division at the volume level of March 1950, are impossible of proper performance without the services of all personnel authorized on our new T/O, plus a field employee pool to provide for home leave, illnesses, etc., of finance employees serving abroad.

"4. We are now faced with an alternative of performing all jobs in a satisfactory manner in the greatest volume possible under the circumstances or further reducing an already unsatisfactory standard of performance and service. The first alternative would require the processing of accounts and other work on a first-in, first-out basis or on a selective basis, attempting to care for the most urgent cases first. The second alternative is, of course, undesirable and should be resorted to only if no other means is available. We believe it may be necessary to combine the selective work procedure with a further reduction in the standard of performance for a short period until additional personnel enter on duty. By reducing standards of performance we do not intend to abandon governing regulations and policies but rather we may have to forego the normal processing of accounts thereby taking the obvious risk of a higher percentage of error and subsequent audit exceptions. Our present staff, especially the Certifying Officers, are most reluctant to sacrifice accuracy in performance since the result may be construed as incompetency on their part at a later date, when errors are detected and audit exceptions taken. Unfortunately, since the errors will not be detected until a later date, it would be more difficult for officials to understand the reasons for the apparent lack of satisfactory performance.

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5. The above statement resulted in numerous conferences of appropriate officials and direction by the Chief, Special Support Staff, that the Employees Division would give priority attention to the recruitment of additional personnel. This was done and the splendid cooperation and accomplishments of the Employees Division in this regard are hereby acknowledged. Through this effort we have filled all vacancies, replaced losses (with the exception of vacancies created by transfers to other offices as a matter of Agency priority), and at the same time have approximately tripled the number of trained finance employees at field stations.

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6. The question of handling only the work which could be done in a completely satisfactory manner, leaving a backlog pending improved conditions, or of accepting all business (much of which is considered priority) within acceptable standards of propriety but at the obvious expense of additional error and quality of records was settled without hesitation in favor of the latter alternative. This necessitated direct requests to many Certifying Officers, Auditors, Accountants and Clerks to forego much of the normal procedure in processing accounts. There was natural reluctance on the part of many of our employees to do this since it was feared the result might be a reflection on the competency of the individuals concerned. These employees were assured full support and all possible protection against later misunderstanding, and that there was no alternative. The outbreak of the Korean war at about this time greatly emphasized the need for this course of action, since, with it, came many new priority demands and increased business, especially in connection with OPC activities.

7. The fact that a high standard of propriety was maintained during this period is clearly established by the Auditor's report recently issued. The fact that anticipated errors and difficulties in accounting materialized is also borne out by that report. In this connection we wish to note that while the Audit Report establishes the above facts to December 1950, there are unquestionably other errors, to a degree higher than normal, not yet discovered which must be brought to light, at a much later date, although the basic deficiencies have to a great extent been corrected. (For most purposes the Audit Report was concluded as at 30 June 1949.) We believe the procedure is proper and all errors and deficiencies during a period of audit should be set forth regardless of intervening corrective action. This appears especially true in connection with the administration of Confidential Funds. Under the circumstances, it would not appear proper for the Auditor to minimize discrepancies based upon subsequent corrections. Nor would it appear to be the Auditor's role to rationalize, justify, or explain conditions regarding the personnel under which work during the audit period was performed. We believe that simply stating the facts will, in the long run, result in better understanding of the problems with earlier and more enduring corrective action.

8. As noted above, basic corrective action has been initiated, much of which has been accomplished. A request for additional personnel to provide for current needs has ~~this date~~ been submitted. Our greatest problems at this time are space and training for the additional personnel. The training program is progressing satisfactorily but there appears to be no immediate solution to the problem of space. Regardless of the optimistic outlook at this time, these two facts should be borne in mind:

- (a) The operational business of the Agency is increasing at a rapid rate and under conditions which, in view of the restrictions on space, and time required to secure additional personnel, place abnormal burdens on all administrative services including finance. It appears to be necessary to undertake many previously unplanned operations regardless of available administrative support.

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- (b) The conditions set forth in the Report of Management Survey of 1949 and in paragraph 4, above, require a great deal of time in recovery except at the expense of overstaffing which would appear unwarranted provided there is evidence that the deficiencies are primarily technical and that funds are properly controlled and used. We believe such evidence is manifested in the various Surveys and Reports.

With respect to the necessity to undertake many new unanticipated operations, we believe the Deputy Comptroller has made recommendations for provision of necessary support therefor. Generally the problems involved are not basically finance matters although they constitute financial difficulties if other administrative support is not provided. We understand that such support may be provided elsewhere.

9. With the foregoing in mind, and granted that the Finance Division still faces difficulties in working toward completely satisfactory solutions to the many enumerated problems, we nevertheless feel that the marked improvement to date warrants recognition of the efforts of many of our employees during the past year. It is true that many have waived leave benefits, worked long hours, including most holidays and weekends, much of which was uncompensated, and generally have subordinated personal affairs to the needs of the Agency. Also many individuals have performed in more than one job or have handled a volume of work, over sustained periods of time, greatly in excess of that which could normally be expected. However, such conditions were not peculiar to the Finance Division during this time, and, while appreciated, warrant no special consideration. It is not these efforts but the accomplishments of many individuals under such conditions which instigate this memorandum. The performance of each employee makes it difficult to single out outstanding individuals. However, among the employees who were requested to waive normal requirements until relief could be obtained, whose records clearly indicate accomplishment superior not only to ordinary expectations and requirements but superior under the adverse conditions set forth are:

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10. There are many other individuals who have made outstanding contribution to the Agency during this period, therefore, the above list is cited only as an example and not with the intent that they should be officially commended, which is not expected or desired. However, as a result of some of the previously anticipated discrepancies having materialized and recently came to light, there is considerable anxiety on the part of many individuals especially since we are now under different administration. We believe it would be of material value to the individuals and to the Agency if there was personal indication by the Comptroller that assurance of support previously granted are acknowledged and approved by the present administration. This seems especially important since it is still necessary, to a lesser degree, to continue under the procedures described above. Accordingly, we recommend that the Comptroller consider the above statements and, if deemed appropriate, convey, in example, to units or groups of employees his attitude toward past and future performance of this nature.



Acting Chief, Finance Division

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